

Advanced Macroeconomic Theory 2, Part 1
Summer Semester 2020
Prof. Dr. Alexander Meyer-Gohde
Chair of Financial Markets and Macroeconomics

Lecture: Fridays 8:30 am – 11:45 am
HoF E.20/ DZ Bank
04/17/2020 – 05/29/2020

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Professor: Alexander Meyer-Gohde
Office Hours: by appointment
Office: House of Finance, Room 4.47
E-mail: meyer-gohde@wiwi.uni-frankfurt.de
<https://www.imfs-frankfurt.de/professuren/finanzmaerkte-und-makrooekonomie>

Faculty of Economics and
Institute for Monetary and Financial
Stability

Chair of Financial Markets and
Macroeconomics

Prof. Dr. Alexander Meyer-Gohde

House of Finance
Goethe University of Frankfurt
Theodor-W.-Adorno-Platz 3
60629 Frankfurt am Main
Germany

Tel. +49 (0)69 798 34501
meyer-gohde@econ.uni-frankfurt.de
<http://www.imfs-frankfurt.de>

Administrative Assistant: Aysegül Argit
Office: House of Finance, Room 3.48
E-mail: argit@econ.uni-frankfurt.de

Teaching Assistants: Ioanna Pigkou and Johanna Saecker
Office: House of Finance, Room 4.54
E-Mail: joanna.pigkou@hof.uni-frankfurt.de
saecker@hof.uni-frankfurt.de

Course Grade: The grade will be based on a final exam.

Course Description: This course will introduce students to the rigorous solution, estimation, and analysis of business cycle models. Numerical solution methods will be compared in the analysis of the real business cycle (RBC) model and numerical estimation techniques introduced in the analysis of New Keynesian models. Thus, the course will have a twofold focus on models and techniques.

Textbook:

Recursive Macroeconomic Theory

4th Edition, MIT Press, 2018

By Thomas J. Sargent and Lars Ljungqvist

Numerical Methods in Economics

MIT Press, 1998

By Kenneth L. Judd

Monetary Policy, Inflation, and the Business Cycle

Princeton University Press, 2015

By Jordi Galí

Course Outline

Part I: RBC and Solution Methods

1. Benchmark RBC model
2. Analytic Case: Value Function Iteration, Howard's Improvement, (Log)linearization
3. Linearization / Solving linear rational expectations models
4. Numerical Case: VFI
5. Numerical Case: Projections and Parameterized Expectations
6. Numerical Case: Local Nonlinear Approximation Perturbation

Part II: New Keynesian and Estimation

7. Monopolistic Competition and Nominal Rigidities (Calvo and Rotemberg)
8. Basic New Keynesian Model
9. Likelihood based estimation
10. Positive analysis of the NKM
11. Normative analysis of the NKM

Learning Goals

LGB-1: Students will understand and apply state-of-the-art structural macroeconomic models of the business cycle.

LGB-2: Students will master the numerical techniques for solving, estimating, and analyzing state-of-the-art structural macroeconomic models.

LGB-3: Students will be able to apply the techniques and their understanding of the course's models in their further studies and use them to inform their understanding and discussion of the macroeconomy.

LGB-5: Students will be able to use and apply the numerical analysis programs Matlab and Dynare

LGB-7: Students will be able to express, explain and analyze state-of-the-art models formally, verbally and graphically.

